

Computer Hardware and Software Services

Overview

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IT Market in Total			
	2002	2003	2004 (estimated)
Total Market Size	400	515	650

Computer Hardware			
	2002	2003	2004 (estimated)
Total Market Size	329	410	518
Total Local Production	69	72	75
Total Exports	9	10	17
Total Imports	269	348	460
Imports from the U.S.	21.3	29.5	60

Computer Services			
	2002	2003	2004 (estimated)
Total Market Size	48	70	88
Total Local Production	30	44	56
Total Exports	N/A	N/A	N/A
Total Imports	20	29	36
Imports from the U.S.	15	16	19

+ Remarks:

- * The above statistics are in US\$ millions and are unofficial estimates
- * Total Market equals Imports plus Local Production minus Exports
- * The total IT market includes hardware, software, and computer services

The information technology industry represents one Vietnam's fastest growing sectors. A recently published market study by a major private-sector research organization suggested that during the period from 2004-2008, Vietnam's spending on this sector will be among the top ten in the world. The Government of Vietnam has articulated a commitment to boosting the development of the ICT industry, particularly in the software production sector, Internet infrastructure, IT education promotion, and other forms of human capital development.

Vietnam's Information Technology (IT) industry had sales of \$515 million in 2003, a figure expected to reach \$650 million in 2004 and to continue its rapid growth through 2005 and beyond. Together with the revenue of the post and telecommunications sectors of \$1.450 billion, total sales for Vietnam's ICT industry in 2003 were nearly \$2 billion. Surveys conducted by international firms and local industry associations show the growth rate of Vietnam's IT sector in 2003 was 28.8%, and is expected to continue at around 25 percent in the coming years.

Sales in Vietnam's ITC sector have been dominated by hardware purchases, which have accounted for approximately 80 percent of total IT spending during the past five years. This focus on hardware reflects, in large part, the widespread piracy of software and lack of effective protection of intellectual property in Vietnam. Estimates of the rate of pirated software in use in Vietnam range from 94-99 percent.

Vietnam's imports of computer hardware and peripherals totaled \$348 million in 2003, out of total sales for these products of \$410 million. In 2004, sales of computers and peripherals are expected to reach \$518 million, of which about \$460 million will be imported. Vietnam's IT market is still concentrated in two major cities: HCMC, which accounts for approximately 60 percent of all sales, and Hanoi, which accounts for about 30 percent of the market. The year 2003 marked the very first time that the number of computers sold in Vietnam reached 1 million units. Of these million machines, Vietnamese branded computers accounted for 10%, with another 10% imported. The remaining units represented computers assembled in Vietnam from imported parts.

Internet related service providers represent another fast-growing industry sector for IT equipment, software, and service suppliers. So far, six Internet exchange access service providers (IXP), 15 Internet service providers (ISP), 12 On-line service providers (OSP) were licensed. This move has broken the monopoly of Vietnam National Post and Telecommunications Corporation (VNPT). As of July 2004, Vietnam has 1,436, 417 Internet subscribers with 5,341,943 Internet users that was equal to 6.55% of the population. Vietnam currently has total international bandwidth of 1,038 Mbps. These figures will increase rapidly, as there are significant efforts to broaden the availability of the Internet for public use.

Best Products/Services

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Internet equipment and training services are among the best prospects for U.S. exporters of information technology.

Opportunities

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Despite existing barriers, American IT companies will find growing opportunities for doing business in Vietnam, particularly in sectors associated with internet development.

The IT industry offers opportunities for training service providers as well. The Government of Vietnam has drawn up an ambitious plan for the domestic industry that aims at reaching annual sales of \$500-800 million by 2005, and \$3 billion by 2020. The plan consists of three major programs: the development of IT human resources, the development of a software export sector, and the development of a hardware-manufacturing base. Currently, Vietnam does not have the capability to execute the Government's plan in any of these areas. In order to do so, significant investment in training and technology transfer must occur – a need that could offer significant export opportunities for American IT hardware and service suppliers.

Many leading American PC manufacturers have marketing operations in Vietnam with IBM, Dell, leading Hewlett-Packard leading the market. Vietnam will continue to import a significant number of PCs and peripherals. The primary customers for imported equipment are multi-national corporations, large state-owned-enterprises, and the government.

The computer services market has developed as a two-tier market with foreign computer firms serving foreign businesses operating in Vietnam and local firms catering largely to Vietnamese clients. For the most part, foreign companies seeking computer services use foreign invested service providers. Meanwhile Vietnamese companies rely on local computer retailers who offer a limited package of services.

Resources

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Vietnam's National Steering Committee on ICT (NCICT)

<http://www.ictcommittee.gov.vn>

Ministry of Posts and Telematics (MPT)

<http://www.mpt.gov.vn>

Ministry of Science and Technology (MOST)

<http://www.most.gov.vn>

Ministry of Planning and Investment (MPI)

<http://www.mpi.gov.vn>

Ministry of Trade (MOT)

<http://www.mot.gov.vn>

Vietnam Posts and Telecommunications Corp. (VNPT)

<http://www.vnpt.com.vn>

Vietnam Internet Network Information Center (VNNIC)

<http://www.vnnic.net.vn>

HCMC Computer Association

<http://www.hca.org.vn>